ONTARIO SECURITIES COMMISSION

Volume 1, Issue 1

PERSPECTIVES

WINTER 1998

inside...

FEATURE

The "Virtual" National Securities Commission: Soon to be a Reality

A "virtual" national securities commission, based on mutual reliance among provincial commissions, is expected to be in place by January 1999. The new system will provide "one-stop shopping" for certain filings of prospectuses and Annual Information Forms, applications for discretionary relief, and applications for registration for advisers and members of self-regulatory organizations.

Mutual reliance means that participating regulators will rely primarily on the review and recommendations of another jurisdiction for certain filings made in more than one jurisdiction in Canada. While the principal jurisdiction will be responsible for issuing a decision document on behalf of all jurisdictions, each participating regulator will retain and exercise its statutory discretion with respect to all filings. (continued on page 11)

INDEX

The CSA is now reviewing comments and expects to have a final National Instrument released in early 1998. The National Instrument will be effective upon receipt of certain ministerial approvals. If approved, it is expected to be effective Spring, 1998.

For more information, please call **Rebecca Cowdery,** Special Counsel, Market Operations, at (416) 593-8129.

20 OSCB July 25, 1997

Mutual Fund Reformulation Project

The mutual fund rule reformulation project began in the Summer of 1995. It involves the reformulation of a number of regulatory instruments.

The CSA released proposed replacement rules for National Policy 39 regarding Mutual Funds and OSC Policy 11.4 regarding Commodity Pools in June 1997. The OSC finalized a replacement instrument for OSC Policy 11.1 regarding Mutual Fund Trustees and revoked OSC Policy 11.5 regarding Real Estate Mutual Funds early in 1997.

A rule granting registration and prospectus relief for mutual fund reinvestment plans became effective in October 1997, replacing two former blanket rulings of the OSC.

The CSA is also working on a national instrument to replace NP 36, the Mutual Fund Simplified Prospectus system, which will be based on a prospectus disclosure proposal released for comment by the CSA in January 1997.

For more information on the status of these projects, please call **Rebecca Cowdery,** Special Counsel, Market Operations, at (416) 593-8129.

Reformulation Workshops for Securities Lawyers

A group of lawyers concerned with continuing education for securities lawyers is working with the Commission to develop a series of workshops to bring securities law practitioners up to speed on the reformulated rules.

A steering group led by securities lawyers from a number of Toronto firms will be working with Randee Pavalow, Policy Coordinator/Advisor, and Imants Abols, Counsel, Corporate Relations Branch, to organize these sessions. The workshops are expected to take place this Spring.

Details will be provided as the plans evolve. For more information on these workshops, please call **Imants Abols**, (416) 593-8061.

Exempt Distributions: Request for Comments

On October 17, 1997, the Ontario Securities Commission (OSC) issued a request for comments on a Proposed Rule, Policy and Forms (Rule 45-501) regarding **Exempt Distributions**. The aim of the reformulation project was to clarify existing requirements, ensure consistency, and provide additional exemptive relief in certain situations.

In its request for comments, the Commission noted that the proposed rule and related instruments only partially address the administrative burdens, expense and complexity of the closed system. The OSC anticipates that the Canadian Securities Administrators' future consideration of the appropriateness of an integrated disclosure model in Canada will require a review of whether the existing closed system framework should be altered or eliminated.

The deadline for submissions was January 15, 1998.

For more information, please call **Susan Wolburgh Jenah,** Manager, Market Operations at (416) 593-8245 or **Iva Vranic,** Legal Counsel, Market Operations at (416) 593-8115.

20 OSCB Oct. 17, 1997

Mergers and Acquisitions: Update on Applicable Rules and Policies and the Zimmerman Report

OSC Policy 9.1 (Disclosure and Valuation and Minority Approval Requirements for Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions)

A draft of the Proposed Rule and Companion Policy to replace OSC Policy 9.1 was published for comment in May 1996 (19 OSCB 2981). Staff is currently reviewing the Proposed Rule and the comments and it is anticipated that a revised draft will be published in March 1998.

OSC Policy 9.3 (Take Over Bids - Miscellaneous Guidelines)

A draft of the Proposed Rule to replace OSC Policy 9.3 was published for comment in October 1995 (18 OSCB 4916). Section 1 of Part A and all of Part B of the Policy will be deleted in the Rule as they are covered by section 94 of the Act. Since the publication of the Proposed Rule, staff is considering whether some of its provisions should be integrated into other reformulated instruments.

National Policy 38 (Take Over Bids - Defensive Tactics)

National Policy 62-202 *Take-over Bids - Defensive Tactics,* which replaces National Policy 38, came into force on August 4, 1997. Policy 62-202 does not introduce any substantive changes from National Policy 38.

Zimmerman Report

Each of the Canadian securities regulatory authorities has agreed to adopt the recommendations made in the Report of the Committee to Review Take-Over Bid Time Limits published in August 1996 (19 OSCB 4469) and to coordinate their implementation.

The recommendations will be adopted by various means in the different provinces (including by legislation, rules and policies), with an initial target date of Spring 1998. It is proposed that the recommendations be implemented in Ontario through legislative amendments to the Act.

For more information, please call **Cathy Singer,** General Counsel, (416) 593-8082.

CANADIAN SECURITIES ADMINISTRATORS HIGHLIGHTS

A summary of recent national initiatives from the Canadian Securities Administrators (CSA). The CSA is the organization of the securities regulators of the provinces and territories of Canada. The principal current initiative of the CSA is the establishment of the mutual reliance system. For more on this project, please see our ***Feature: The Virtual National Commission*** *on the cover page.*

Proposal to Introduce Statutory Civil Liability for Continuous Disclosure in Canada

The Canadian Securities Administrators (CSA) anticipates that proposed legislation on civil liability for continuous disclosure will be on the agenda of provincial governments this Spring.

The CSA is in the process of discussing a proposal for a legislative amendment with the respective governments across Canada. The legislation is intended to provide for a statutory right of action to sue issuers and other responsible parties for misrepresentations in continuous disclosure documents and other statements relating to the issuer or its securities.

"The legislation is intended to provide for a statutory right of action to sue"

A CSA Task Force was formed following the release of a report by the Toronto Stock Exchange Committee on Corporate Disclosure, commonly known as the Allen Committee report. Two years in the making, the report recommended the creation of a limited, statutory, civil liability regime in Canada for continuous disclosure.

For more information, please call **Susan Wolburgh Jenah,** Manager, Market Operations, at (416) 593-8245.

20 OSCB Oct. 17, 1997

Technology Review Proposes New Systems for Mutual Reliance, Registration, Insider Reporting

Early in 1997, the Information Technology (IT) Committee of the Canadian Securities Administrators (CSA) launched a project to review regulators' technology systems and development plans across the country. The goals of the project are to encourage greater harmonization of systems, information sharing, and joint development.

FAST FACTS

Since it was introduced in January of 1997, SEDAR, the System for Electronic Document Analysis and Retrieval, has processed over 60,000 filings and staff has responded to over 5,400 SEDAR related queries from filers, the staff of the OSC and other Commissions.

The Committee has developed a number of proposals for shared initiatives. These include:

- a shared private network with workgroup software to link all Commissions and facilitate the exchange of information;
- systems to enable mutual reliance through shared tracking and precedents information for prospectuses and applications; and
- joint CSA ventures that would result in SEDAR-type online registration systems and insider reporting systems.

Implementation plans for each project are now being developed and will be presented to the CSA Steering Committee for approval. If approved, work on the projects would begin immediately. The first priority would be putting a shared network in place, and then developing the new systems.

For more information, please call **Robert Byrnes,** Acting Deputy Director of Information Technology, (416) 593-8198.

Canadian Securities Administrators and Insurance Regulators to Develop Process for Cooperation

With the growing convergence of the insurance and securities businesses, cooperation between regulators has become a focus of attention for both industries.

Following the Canadian Securities Administrators' (CSA) Fall meeting in Regina, representatives of the CSA and the Canadian Council of Insurance Regulators (CCIR) announced that they will develop a process to discuss evolving issues of common interest in the regulation of the securities and insurance industries. Discussions are now underway regarding an information sharing agreement between the CSA and the CCIR.

For more information, please call **Tanis MacLaren,** Associate General Counsel, at (416) 593-8259.

20 OSCB Oct. 17, 1997

Conflicts of Interest in the Securities Industry: CSA Encourages Quick SRO Action on Hagg Committee Report

In a news release following its Fall 1997 meeting, the Canadian Securities Administrators (CSA) called the recommendations of the *Joint Securities Industry Committee on Conflicts of Interest (the Hagg Report)* "an important step in the right direction for addressing the conflicts of interest that may arise where dealers and their employees participate directly in financing emerging companies."

"Conflicts may occur when a firm or its employees play multiple roles as investors, promoters and underwriters."

The Hagg Committee was set up by the IDA and the Canadian stock exchanges (the Self-Regulatory Organizations - SROs) in September 1996 to look at potential conflicts that may occur when brokerage firm employees personally invest in emerging companies. In particular, conflicts may occur when a firm or its employees play multiple roles as investors, promoters and underwriters.

The report contains numerous recommendations, including that a brokerage firm disclose when employees and the firm together hold more than 10 percent of a company's stock.

In response to the Committee's interim report, the CSA made a submission to the Committee in which it raised a number of substantive questions. Following the release of the final report, the CSA noted that the report did not deal with all of its concerns. However, the CSA is encouraging the SROs to act quickly to implement the Committee's recommendations.

For more information, please call **Tanis MacLaren,** Associate General Counsel, at (416) 593-8259.

ENFORCEMENT

Recent Enforcement Proceedings

The following are summaries of recent enforcement proceedings. For more information, please call Larry Waite, Director of Enforcement, (416) 593-8156.

Altamira Management Limited. ***Trading may have had the effect of misleading market observers and the public. (Public Interest (s.127))***

On September 15, 1997 the OSC announced a Settlement Agreement relating to trading by accounts managed by Altamira Management Limited in the shares of Dorset Exploration Ltd., a Toronto Stock Exchange listed corporation, between April 1, 1993 and October 1, 1994. As part of the settlement, Commission staff accepted that it was not Altamira's intention to mislead or manipulate the market for Dorset shares. However, staff noted a number of concerns, and considered that Altamira's trading in the Dorset shares may have had the effect of misleading market observers and the public as to the closing value of the Dorset shares on many of the trading days during the period.

As part of its position in the settlement, Altamira stated that its trading in Dorset shares was for the benefit of clients and that its trading activity in Dorset shares, while substantial, had no material effect on the price of Dorset shares.

Altamira consented to a review of its trading practices and procedures by the Altamira Advisory Council, an independent council established to monitor the interests of Altamira's unitholders. In addition, Altamira agreed to a reprimand by the Commission and to an order requiring it to implement certain changes to its trading practices. Altamira also agreed to pay $75,000 to the Government of Ontario to defray the cost of the Commission's review.

Marchment & MacKay Limited. ***Divisional Court confirms jurisdiction of the Ontario Securities Commission. (Public Interest (s.127(1)) & Calls to residences for purposes of trading (s.37(1))***

The Commission announced on October 6, 1997 that the Court of Appeal for Ontario dismissed three motions brought by Marchment & MacKay Limited, its officers and certain of its salespeople for leave to appeal from decisions of the Divisional Court released in the Spring of 1997. These Divisional Court decisions affirmed the jurisdiction of the OSC to proceed with a pending hearing relating to the sales practices of Marchment & MacKay Limited and held that there was no reasonable apprehension that members of the Commission who had heard and determined an earlier sales practice hearing relating to E.A. Manning Limited were biased against the securities dealer. It was held that the rule making power granted to the Commission under Section 143 should not be interpreted as imposing on the Commission a mandatory requirement to make rules, or as restricting the scope of the Commission's public interest jurisdiction under s.127 to regulate trading.

Nucap Investments Inc. and William A. Dressing. ***(Public Interest (s.127(1)) & Selling funds after suspension (s.25(1))***

On October 28, 1997, the Ontario Securities Commission approved a Settlement Agreement between staff of the Commission, Nucap Investments Inc. and William A. Dressing. Dressing was the president, sole director and a trading officer of Nucap.

Nucap and Dressing agreed that: (1) Nucap continued to process mutual fund sales after Nucap's registration as a mutual fund dealer was suspended on April 25, 1996; (2) neither Nucap nor Dressing advised any of Nucap's eight salespersons after Nucap was notified of its suspension; (3) Nucap processed approximately $1.5 million in mutual fund sales while not registered; (4) the conduct of Nucap and Dressing was contrary to section 25 of the Securities Act and contrary to the public interest; and (5) Nucap and Dressing failed to deal fairly, honestly and in good faith with Nucap's salespersons and clients.

Under the terms of the Settlement Agreement, Nucap and Dressing agreed to an order terminating Nucap's registration as a mutual fund dealer and Dressing's registration as a trading officer of Nucap.

Ralph Schatzmair and Emmanuel Borromeo. ***Acquisition of units on terms not disclosed in prospectus. (Public Interest (s.127))***

On October 30, 1997, the Ontario Securities Commission approved Settlement Agreements between staff of the Commission and Ralph Schatzmair and Emmanuel Borromeo. Both Schatzmair and Borromeo were previously employed by McConnell and Company Limited ("MCL") at a time when MCL was the principal agent in a public offering of units of the Ravencrest Condominium Hotel Limited Partnership ("RCHLP"). Both acquired units in the partnership. Schatzmair also sold units under the offering to clients.

Both Schatzmair and Borromeo agreed that in connection with their involvement in the RCHLP, their conduct was contrary to the public interest in that as a salesperson of MCL they ought to have known that they were acquiring units of the RCHLP on terms which were not disclosed in the prospectus and which provided them with an advantage that was not afforded to all persons who purchased units in the RCHLP.

Under the terms of the Settlement Agreement with Schatzmair, he agreed to an order suspending his registration for a period of six months commencing November 8, 1997. He also agreed to make a voluntary contribution to the Canadian Investor Protection Fund in the amount of $7,500.

Under the terms of the Settlement Agreement with Borromeo, he agreed to an order suspending his registration for a period of three months commencing November 8, 1997. He also agreed to make a voluntary contribution to the Canadian Investor Protection Fund in the amount of $5,000.

Veronika Hirsch and Sameh Magid. ***False statements in regulatory filings. (Public Interest (s.127))***

On November 5, 1997, the OSC approved Settlement Agreements with Veronika Hirsch and Sameh Magid. The Settlement Agreements relate to conduct engaged in by Hirsch and Magid in connection with the purchase by Hirsch of special warrants issued under a private placement which was qualified for offering in British Columbia. Magid, a registrant in British Columbia and Ontario, had brought the investment opportunity to the attention of Hirsch. The private placement was not qualified for offering in Ontario. Both Hirsch and Magid acknowledge that they did not take appropriate steps to ensure that the private placement had been qualified for issue in Ontario.

At the time of the transaction Hirsch was a resident of Ontario. The documents filed in British Columbia in connection with the private placement disclosed Hirsch as being a resident of British Columbia, the address used being the residential address of Magid. This was a false statement to the knowledge of Hirsch and Magid as acknowledged in the Settlement Agreement.

Under the terms of the Settlement Agreements, Hirsch and Magid have acknowledged that their conduct was contrary to the public interest. Both were reprimanded by order of the Commission. In addition Hirsch agreed to make a voluntary contribution to the B.C. Securities Commission Investors' Education Fund in the amount of $99,573, the amount equivalent to the net profits after tax she realized on the sale of the securities acquired through her participation in the private placement.

Wayne Stephenson. ***Misrepresentation. (Public Interest (s.127))***

On November 6, 1997, the OSC approved a Settlement Agreement with Wayne Stephenson. Stephenson agreed that his conduct was contrary to the public interest in that he distributed to clients a copy of a book on financial planning which misrepresented his role as the sole co-author along with Dean Albrecht, a financial marketing consultant who resides in Florida. Under the terms of the Settlement Agreement, Stephenson's registration was suspended for fifteen days commencing December 1, 1997.

Gordon Badger. ***Misrepresentation in prospectus filings; non-qualified distribution out of a control block. (Public Interest s.127(1))***
On November 13, 1997, the OSC announced it had approved a Settlement Agreement with Gordon Badger. The Agreement relates to conduct that Badger engaged in as a director VRD Entertainment Limited. Badger agreed that he signed a certificate contained in the Preliminary Prospectus filed with the Commission which contained a misrepresentation regarding the capital of VRD. As a result, the Preliminary Prospectus did not contain full, true and plain disclosure of all material facts relating to the securities issued.

Furthermore, Badger knowingly participated in an offer by James Hastie, a long-standing business acquaintance, of his VRD shares in February 1995. This distribution was unlawful because no Form 23 had been filed with the Commission to permit a distribution out of a control block or, alternatively, because no prospectus had been filed to qualify a distribution out of a control block.

It was ordered that any exemptions in Ontario securities law do not apply to Badger for three years until July 16, 2000.

Canadian 88 Energy Corp., West Central Capital Corporation, Gregory S. Noval and David R. DiPaolo. ***Trading where undisclosed change and informing another person of an undisclosed change (s.76) (Public Interest (s.127))***
The Ontario and Alberta Securities Commissions approved the Settlement Agreement dated October 9, 1997 relating to the purchases and sales of common shares of Morrison Petroleums Ltd. by West Central Capital Corporation. The transactions at issue occurred prior to the announcement by Canadian 88 Energy Corp. on January 13, 1997 of its intention to make a formal take-over bid for all of the issued and outstanding common shares of Morrison.

Canadian 88 agreed to a reprimand. Greg Noval agreed to a one year trading ban and David DiPaolo and West Central each agreed to a six month trading ban. The Respondents also agreed to pay $200,000 to the Commissions in reimbursement of costs.

Under the terms of the Settlement Agreement, the actions of the Respondents in connection with the purchases and sales of Morrison common shares by West Central pursuant to its agreement with Canadian 88 were contrary to the public interest.

In the view of the Commissions' staff, the acquisition of a toehold position in a target company by a potential bidder, through a third party acting other than as a pure conduit, is contrary to the public interest.

Current Enforcement Projects

Securities Enforcement Review Committee (SERC)
SERC has been established in recognition of the need to better coordinate the use of available resources and expertise dedicated to the investigation and prosecution of securities offences. SERC is composed of senior representatives of the Ministry of the Attorney General, Metropolitan Toronto Police, The Toronto Stock Exchange (TSE), the Royal Canadian Mounted Police (RCMP), the Ontario Provincial Police (OPP), the Investment Dealers Association of Canada (IDA), the Canadian Investor Protection Fund (CIPF), as well as the OSC. The Committee meets monthly. One active SERC joint investigation is underway with participation from the RCMP (Market Group), OPP (Anti-Rackets) and the OSC (Enforcement).

Joint Agency Intelligence Liaison Committee (JAIL)
The OSC, Canadian Dealing Network (CDN), TSE, OPP, RCMP and Metropolitan Toronto Police meet monthly to share information, identify and discuss intelligence related issues. This committee was established as a sub-committee of SERC.

Market Integrity Computer Analysis System (MICA)
The aim of this project is to develop a more comprehensive computer program which will enable the electronic reconstruction of trades on Canadian stock exchanges and the over-the-counter market. This analysis tool will enhance stock market manipulation and insider/tippee trading investigations and will allow for the analysis of multiple securities on multiple exchanges. OSC staff are heavily involved in testing the system. It is expected that the system will be fully operational in early 1998.

ONTARIO SECURITIES COMMISSION COMPLIANCE UPDATE

Actions and initiatives to better ensure compliance with the Securities Act.

Review of Canadian Dealing Network Companies' Financial Statements Reveals Non-Compliance

A recent Ontario Securities Commission report criticizing the quality of the financial statements of companies trading over the counter has been distributed to all Canadian Dealing Network (CDN) companies.

The OSC's 1996/97 Canadian Dealing Network Continuous Disclosure Review, released on October 20, 1997, found numerous instances of non-compliance with generally accepted accounting principles. As well, staff found significant deficiencies in other continuous disclosure documents, such as press releases and material change reports. In some cases, material information was not disclosed to the market on a timely basis or at all. In general, the OSC noted a tendency to overemphasize favorable news, under-emphasize unfavorable news, use overly promotional language, and announce objectives which the company lacked resources to carry out.

In conducting the review, the OSC was aiming to open a dialogue with CDN firms and to educate them on complying with securities requirements. Very few of the noted deficiencies resulted in enforcement action. However, the Commis-

sion has noted that when future reviews are conducted, it will enforce the Securities Act through all means available.

OSC staff will continue to work with the CDN to ensure that CDN companies are aware of their responsibilities as public companies and of the Commission's intention to devote greater resources to continuous disclosure regulation in the future. In the recent legislative amendments, the OSC received the express authority to regulate the activities of the CDN. (*See Red Tape Reduction Act Receives Royal Assent,* page 9).

For a copy of the report, please call Corporate Relations at (416) 593-8117. For more information on the Review and report, please call **Kathy Soden,** Manager, Market Operations, at (416) 593-8149.

20 OSCB Oct. 17, 1997

Ontario Securities Commission Reports Reveal Mutual Fund Dealer and Non-SRO Member Compliance Issues

Two recent reports by Ontario Securities Commission (OSC) staff have identified deficiencies in compliance by non-SRO member registrants with the requirements of the Securities Act.

Regulatory Filings of Non-SRO Member Registrants

The first report, released on September 26, 1997, was based on a review of annual and interim filings by non-SRO members such as mutual fund dealers, scholarship plan dealers, securities dealers, underwriters and investment counsel/portfolio managers.

Common areas of deficiency included subordinated debt, proper completion of the audited Statement "C" of Form 9, calculation of working capital and minimum required capital based on adjusted liabilities, proper classification of assets and liabilities as current or long term and insurance requirements.

Mutual Fund Compliance Review

The second report, completed in October 1997, was based on compliance examinations of 23 registered mutual fund dealers. The examinations aimed to ensure that the operations of registrants were in compliance with Ontario Securities law. In addition, the Compliance Team examined internal controls and reported to the registrants any weaknesses that could increase the risk of non-compliance.

Among mutual fund dealers, typical problem areas included trust accounts (e.g. accounts not clearly designated as a trust account with the financial institution); supervision (e.g. lack of proper supervision of sales representatives' activities); Know Your Client (e.g. New Client Application Forms without sufficient and appropriate know your client information); and Books and Records (e.g. not maintaining daily trade blotters and records itemizing client transactions).

For more information, please call **Toni Ferrari**, Manager, Compliance, (416) 593-3692.

20 OSCB Sept. 26, 1997

OSC REPORTS

An inside look at Commission projects that will have an impact on the investment community.

Mining Standards Task Force

The Mining Standards Task Force created in the wake of the Bre-X controversy is expected to issue its report in the first half of 1998.

The Ontario Securities Commission (OSC) and The Toronto Stock Exchange (TSE) formed the Task Force to consider whether regulations relating to mining and exploration companies should be changed. In particular, the Task Force is examining whether there should be requirements for:

- the use of approved assay laboratories and assay methods by mining and mineral exploration companies
- criteria for approval of assay labs and methods
- procedures to be followed to improve security of samples to minimize the possibility of tampering
- periodic independent reporting of reserves, and review and approval of reserve reports
- standards for disclosing assay and drill results and procedures so that all information needed to fully understand and analyse results is clear
- standards for defining reserve types and reserve calculations.

The Task Force is also considering whether additional information should be provided in the prospectuses and continuous disclosure documents of mining and exploration companies.

On December 12, 1997, the TSE announced the introduction of a new listing application form requiring additional information for mining companies. The information requirements cover the status of the company's land tenure, drilling methods, sampling procedures, assay labs and analytical methods. The Exchange noted that further changes may be introduced, subject to the recommendations of the Mining Standards Task Force.

The Task Force includes representatives from the OSC, TSE and private industry. Micon International Ltd., an independent mineral consulting firm, is serving as external consultant to the Task Force to address technical issues.

For more information, please call **Morley P. Carscallen,** Vice-Chair, at (416) 593-8081 or **Kathy Soden,** Manager, Market Operations, at (416) 593-8149.

20 OSCB Aug. 8, 1997

Surf to the OSC website: www.osc.gov.on.ca

Members of the investment community will soon be able to access news releases, reports, and updates on rule-making and enforcement on the Ontario Securities Commission's website.

The website will make it easier for investors, industry professionals and reporting issuers to find a variety of OSC information. The site will include:

- updates on rule-making and Commission enforcement proceedings
- basic information for investors
- news releases
- OSC publications
- remarks by OSC executives and staff
- a Continuous Disclosure Checklist for reporting issuers, listing the documents that issuers must submit and the timeframes for submission
- a list of OSC contacts by subject or issue
- employment opportunities
- Frequently Asked Questions

The site will also include links to related websites. The OSC website address will be **www.osc.gov.on.ca**.

The OSC expects that the website will continue to evolve in order to provide additional information and resources for market participants and investors.

For more information, please call **Monica Zeller**, Communications Officer, at (416) 593-8120.

Investor Education Week: Coming Soon Across North America

The Ontario Securities Commission (OSC) and other members of the Council of Securities Regulators of the Americas (COSRA) will participate in Investor Education Week in March 1998. The aim of this program is to heighten public awareness of the capital markets, the role of regulators and the information resources available to investors.

Working with other regulators and industry participants, the OSC has begun planning a number of events for the week of March 30 - April 3, 1998. These include:

1) Town Hall Meetings. Building on the OSC's success in staging Town Hall Meetings, the Commission is planning a new series. The meetings may be held in concert with seminars on topics of interest to investors. The Commission's intention is to use technology to link communities of interest.

2) Industry Partnerships. The OSC has begun meeting with SROs, industry members, and interest groups to explore events in which the Commission could participate jointly. Stay tuned!

3) Investor Information Materials. Working with the Canadian Securities Administrators' Committee on Investor Education, the OSC will produce and promote an investor education kit, which will include the brochures: *Planning Your Financial Future Getting Started; Choosing Your Financial Advisors; The Prospectus; and Investing and the Internet.*

4) Risk Tolerance. Recognizing the tremendous potential of interactive learning tools, the Commission is currently considering the development of a risk tolerance simulation. The premise is to help investors determine their own risk profile, and then to fine-tune certain assumptions by simulating various market conditions. Broadly, the product will also consider the impact of fees and taxes on investors' financial goals.

For more information, please call **Nancy Stow**, Project Coordinator, (416) 593-8297.

Bond Market Transparency Appeal Hearing Canceled

Following the decision by the Investment Dealers Association of Canada (IDA) not to proceed with a proposed regulation to improve transparency in the Canadian bond markets, the Ontario Securities Commission (OSC) is reviewing alternative ways to reach this goal.

In the early 1990s, the Commission began to pursue initiatives to enhance transparency. The IDA and the Inter-Dealer Bond Brokers Association (IDBA) proposed an IDA regulation which permitted IDA members to deal only with those inter-dealer bond brokers that provided market information to a recognized market transparency organization (RMTO). CanPX, an organization owned by the IDA and IDBA, was identified in the regulation as an RMTO.

"The OSC remains committed to the goal of improved transparency of the Canadian bond markets."

In May 1996, the OSC approved the regulation on condition that other organizations could apply for recognition as an RMTO. In August 1996, Reuters Information Services (Canada) Limited applied to the IDA for recognition as an RMTO. The IDA Board decided in January 1997 to deny Reuter's application. Reuters subsequently requested that the Commission review the IDA decision.

In November 1997, the IDA informed the Commission that it does not currently intend to proceed with the implementation of the regulation or with the creation of CanPX. The appeal hearing therefore has been canceled.

The OSC remains committed to the goal of improved transparency of the Canadian bond markets. It is currently considering alternatives to achieve that objective.

For more information, please call **Randee Pavalow,** Policy Coordinator, (416) 593-8257.

20 OSCB Nov. 21, 1997

OSC Proposes On-Line Licensing System To Speed Registration Process

The Ontario Securities Commission (OSC) is considering the development of an on-line licensing system, either on its own or as part of a broader Canadian Securities Administrators (CSA) initiative.

"The Commission estimates that this system would eliminate up to 80 percent of staff administrative work on registrations."

Currently the Commission processes more than 25,000 licensing applications a year from prospective non-SRO salespeople and other market participants. A computerized system would allow applicants to fill out a form on their personal computer and electronically deliver it to the OSC. The Commission estimates that this system would eliminate up to 80 percent of staff administrative work on registrations.

For example, the electronic form would automatically prompt applicants to provide all necessary information, thus reducing the time that staff spends addressing deficiencies. In addition, staff would no longer need to type information into the system. As a result, the OSC expects the registration process would be significantly shortened.

The OSC had originally proposed developing an on-line system on its own. However, technical consultants hired by the CSA are currently reviewing a broad spectrum of technology issues (see Technology Review, page 3). Depending on the study's recommendations, this initiative may become national in scope.

For more information, please call **Lorie Milone,** Manager, Registrations, (416) 593-8124.

FAST FACTS

During the second quarter of 1997, Registration processed 5,164 applications. This represented a 2% increase over the previous quarter

Red Tape Reduction Act Receives Royal Assent

Ontario's Red Tape Reduction Act (Ministry of Finance) received Royal Assent in October 1997, changing or eliminating a broad spectrum of provisions in various statutes to reduce the regulatory burden on the public.

The Act is an initiative of the government's Red Tape Review Commission, created to eliminate or amend existing legislation that imposed an inappropriate burden on the public. The Act amends more than 40 statutes and completely repeals nine.

The key changes affecting the securities industry include:

- giving the OSC the power to regulate the activities of the Canadian Dealing Network and giving the TSE the explicit authority to run CDN;
- enabling the OSC to amend regulations where necessary for the effective implementation of a rule; and
- expanding a number of prospectus and registration exemptions contained in the Securities Act. For example, fully registered dealers and the subsidiaries of financial institutions are now automatically treated as exempt purchasers.

For more information, please call **Tanis MacLaren,** Associate General Counsel, (416) 593-8259.

20 OSCB Oct. 31, 1997

OSC To Host NETS Forum in April; Invites Presentations from Interested Parties

The Ontario Securities Commission (OSC) in concert with other CSA members, will hold a public meeting in April, 1998 on non-SRO sponsored electronic trading systems (NETS). The forum is part of the Commission's review of NETS and market fragmentation in order to develop an appropriate regulatory framework for the operation of NETS.

Electronic trading systems automate all or part of the traditional trading process. For example, they can automate order handling within a brokerage firm, facilitate order routing from a brokerage firm to a stock exchange or take the place of a stock exchange trading floor.

The meeting will allow interested parties to participate in discussions on the key issues surrounding NETS, including:

- the causes and implications of market fragmentation
- the basis on which NETS should be permitted to operate in the Canadian securities markets
- proposals for new regulations and the role of the Commission.

Presentations, limited to one-half hour, may be made by counsel, experts and employees of market participants. Only Commissioners will be allowed to question those who give presentations. However, others may provide contrary arguments as rebuttal.

For more information, please call **Randee Pavalow,** Policy Coordinator, (416) 593-8257.

20 OSCB June 13, 1997

'Dialogue with the OSC'

Following are excerpts from the remarks of John A. Geller, OSC Chair, and Brenda Eprile, Executive Director, at "Dialogue with the OSC," a forum held in Toronto on October 20, 1997. For complete copies of their remarks, please call Rowena McDougall at (416) 593-8117.

CURRENT REGULATORY DEVELOPMENTS
John A. Geller, Chair

In his remarks, Mr. Geller reviewed recent regulatory developments and outlined directions for the future. The following excerpt focuses on the issue of self-funding.

...Perhaps the most significant recent development is the enactment of Part VII of Bill 129, which reconstituted the Ontario Securities Commission as a Crown corporation, governed by its Board of Directors which consists of the Commissioners of the Commission, and self-funded through the fees which it charges.

"Over the same three or four year period, the fees charged by the Commission will be reduced to roughly match its expenditure requirements."

I don't have to tell you that, in recent years, the Commission has been severely constrained in its expenditures and has been unable to hire and retain all of the experienced staff which it requires in order to perform the functions with which it is charged. In addition to the staffing problem, the fiscal restraints have prevented the Commission from keeping pace with technology developments, and this has proved to be a serious inhibition...

...Over a three or four year period, the budget of the Commission will be substantially increased, and a reserve fund will be built up to provide for revenue swings and exceptional enforcement expenditures. But the total amount of expenditures will still be significantly lower than the amount of fees currently collected by the Commission. Over the same three or four year period, the fees charged by the Commission will be reduced to roughly match its expenditure requirements. We will be working with some of the other self-funded Commissions to try to create a nationally consistent approach to fees.

20 OSCB Nov. 14, 1997

WHAT IS THE OSC DOING ABOUT INVESTOR PROTECTION?
Brenda Eprile, Executive Director

In her remarks, Ms. Eprile looked at some recent OSC initiatives. In this excerpt, she discussses the role of informed investors.

...Investors need to play a greater part in the oversight process for the securities industry. To date, investor complaints have been an invaluable source of leads for enforcement investigations, but we need to see more involvement of investors in partnership with regulators. Yes, investors are recipients of the regulations carried out by government regulators and SROs, but they must also play a role in investor protection by informing regulators through the complaint process, participating in the development of our Statement of Priorities, commenting on rule changes being proposed and being informed and actively engaged in their own responsibility as investors to be educated and inquiring.

"We need to see more involvement of investors in partnership with regulators."

We are listening to what the small shareholder has to say about the problems with our present system. This year we have begun a series of lunch-time educational sessions for staff where we invite one of our constituents to give us their perspective on current issues. Recently, the well known shareholder activist, Yves Michaud joined us to talk about the concerns of minority shareholders in Canada.

Smaller investors becoming more informed and better educated creates its own dynamic of an increasing expectation to have more influence in the way in which investors are treated in the markets. The effect is a pragmatic rather than purist approach to engaging investors in their own protection. The emerging phenomena of thoughtful and enlightened shareholder activists is indeed a welcome development, and should be encouraged.

20 OSCB Nov. 14, 1997

("Virtual" National Securities Commission, continued from cover)

Under the mutual reliance review system (MRRS), an issuer will file documents with each relevant jurisdiction, but will generally deal only with one principal jurisdiction. The issuer will receive a National Decision Document from the principal jurisdiction. This document will confirm the decisions of all relevant jurisdictions that have not opted out of the system for that filing. Certain non-principal jurisdictions will also issue a local decision document. Filers, however, will be entitled to rely on the National Decision Document.

For reporting issuers and registrants, the mutual reliance system will simplify and possibly speed up regulatory service. In addition, regulators will be able to develop greater familiarity with the issuers for which they act as principal. The new system is designed to reduce duplication of effort and inconsistency of regulation. Potentially, regulators may also have more resources to devote to other areas, such as enforcement, compliance and continuous disclosure review.

National Canadian Securities Administrators (CSA) staff committees are in the process of finalizing the memorandum of understanding that would formalize the new system. Publication of the memorandum and related instruments for comment is expected this Spring. In addition, the CSA have expressed their commitment to extending the concept of mutual reliance to other areas of regulation, such as continuous disclosure review, over time.

Background

The current drive towards a virtual national securities commission arose from a number of initiatives in the early 1990s aimed at increasing regulatory efficiency.

In 1994, the CSA adopted the Expedited Review system for short form prospectuses and Renewal Annual Information Forms that are filed in more than one jurisdiction by senior issuers. The system incorporated the concept of designating a single jurisdiction to act as the principal regulator.

That year the CSA formed the Task Force on Operational Efficiencies in the Administration of Securities Regulation. A key recommendation of the report, released in 1995, was to encourage the CSA to extend the concept of a designated jurisdiction to other aspects of regulation.

Mutual Reliance to Focus On Four Areas

Mutual reliance review systems are currently being developed for the following areas:

- Non-mutual fund prospectuses and AIFs;
- mutual fund prospectuses;
- the registration, in multiple jurisdictions, of SRO member dealers and advisers; and
- applications for discretionary relief and, where appropriate, coordination of exempting orders.

Although not yet finalized, the following details are currently being considered under the proposed mutual reliance review systems.

Prospectuses and AIFs - Non-Mutual Fund Issuers

Principal Jurisdiction

For existing POP (Prompt Offering Qualification System) issuers, the principal jurisdiction will be the current Expedited Review designated jurisdiction. For new POP issuers or non-POP issuers, the decision is based on the location of the head office. Where the issuer's head office is in a jurisdiction not prepared to act as principal, the principal jurisdiction will be the location of the issuer's principal trading market in Canada.

An issuer may apply to change its principal jurisdiction. Issuers would have to obtain consent from both their existing principal jurisdiction and their proposed new principal jurisdiction.

Review and Comment Period

The time periods are largely as currently set out in National Policy Statement No. 1. Unless a non-principal jurisdiction opts out of the MRRS, the filer will only deal with, and receive comment letters from, the principal jurisdiction.

Prospectuses - Mutual Fund Issuers

Principal Jurisdiction

The choice of principal jurisdiction will be based on the location of the head office of the mutual fund manager. If that jurisdiction is not prepared to act as principal jurisdiction, the mutual fund may choose a jurisdiction with some connection to the fund.

A mutual fund may apply to change its principal jurisdiction. The procedure would be similar to that for other issuers (see above).

Review and Comment Period

Largely as currently set out in National Policy Statement No. 1. The review and comment period would be similar to that of non-mutual fund prospectuses, as described above.

Applications for Discretionary Relief

This is a voluntary system.

Principal Jurisdiction

For an issuer, the principal jurisdiction is chosen in the same way as for a prospectus filed by the issuer. Other applicants will select the jurisdiction with which they have the most connection. If there is no connection to any jurisdiction, the applicant may choose a jurisdiction willing to act as principal.

Form of Application

Applicant will prepare one application in accordance with the securities laws of the principal jurisdiction and will file those application materials and the applicable application fees with all jurisdictions from which exemptive relief is sought.

Review by Principal Jurisdiction

The principal jurisdiction will provide an acknowledgment of receipt of the application to the applicant and all participating jurisdictions with whom the application has been filed. The principal jurisdiction is not subject to any time period for its review of the application.

Response Times for Non-Principal Jurisdictions
Non-principal jurisdictions will have ten working days from receipt of acknowledgment of filing from the principal jurisdiction to provide comments. They also will have an additional seven working days from receipt of the staff memo, recommendations and determination of principal jurisdiction to confirm whether it has made the same determination or is opting out of the MRRS for that application. If a participating jurisdiction can resolve its outstanding issues within the seven day opt out period, it can opt back in by giving notice to all other participating jurisdictions.

National Decision Document
In general, the Decision Document cannot be issued in less than 17 business days from the date that application for relief is filed. Some shortening of this time period may be arranged by the applicant with the agreement of the jurisdictions in which the relief is required.

Registration - SRO Members and Advisors
Principal Jurisdiction
For firms that are applying for registration as an adviser or as a dealer that is an SRO Member, the principal jurisdiction is based on the location of the adviser's or SRO Member's principal place of business in Canada.

For individual applications for registration with a firm adviser or with an SRO Member firm, the principal jurisdiction will be the jurisdiction in which the individual is resident. If advisers do not have a place of business in Canada, it is expected that they will choose the jurisdiction in which they have the largest number of clients and greatest volume of business.

"Under the mutual reliance review system (MRRS), an issuer will file documents with each relevant jurisdiction, but will generally deal only with one principal jurisdiction."

Application for Registration
For initial applications, the applicant will follow the procedures and comply with the conditions of the principal jurisdiction. The application materials must also be sent to all non-principal jurisdictions where registration is being sought.

Where the applicant is already registered with the principal jurisdiction but is seeking registration for the first time in other jurisdictions, the applicant must file with the new jurisdictions copies of the material already filed with the principal jurisdiction and a copy of the registration certificate, along with the appropriate fees.

Review by Principal Jurisdiction
The principal jurisdiction will use its best efforts to review an application and provide comments within 20 working days of receipt of a completed application.

Response Times for Non-Principal Jurisdictions
The non-principal jurisdictions will have five working days from the date the draft National Decision Document is sent to opt out of the system for an application by a firm. They will have three working days to opt out for an application filed by an individual.

"For reporting issuers and registrants, the mutual reliance system will simplify and possibly speed up regulatory service."

Ongoing Requirements
MRRS for registration applies only to initial registration requirements and directly related ongoing requirements, such as proficiency, capital and bonding. Local jurisdiction rules will continue to apply for all other ongoing matters, such as conduct of business and client disclosure.

Permanent Registration System
Most jurisdictions are expected to modify their renewal processes to adopt a permanent registration system similar to that in place in Quebec.

For more information, please call **Kathy Soden,** Manager, Market Operations, (416) 593-8149.

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